



IN THE MATTER OF
the *Utilities Commission Act*, RSBC 1996, Chapter 473

and

British Columbia Hydro and Power Authority
Application to Defer Operating Costs Variance between Forecast and Actual F2016
Post-Employment Benefits Current Pension Cost
Arising from a Change in the Actuarial Discount Rate

BEFORE: K. A. Keilty, Commissioner

September 18, 2015

O R D E R

WHEREAS:

- A. On August 12, 2015, British Columbia Hydro and Power Authority (BC Hydro) filed an application with the British Columbia Utilities Commission (Commission) for approval to defer the variance between the forecast in the F2015/F2016 Revenue Requirements Application (RRA) and the actual fiscal 2016 (F2016) relating to the operating cost portion of the post-employment benefits current pension costs (Application);
- B. BC Hydro submits that the F2016 forecast current pension costs included in the RRA was based on an actuarial discount rate of 4.62 percent while the actual F2016 discount rate calculated in accordance with International Financial Reporting Standards is 3.51 percent, resulting in an operating cost variance of \$17.2 million;
- C. BC Hydro seeks to defer the \$17.2 million in an existing Non-Current Pension Costs Regulatory Account, rather than establishing a new regulatory account, for regulatory efficiency purposes;
- D. BC Hydro states that the variance results from an uncontrollable and unpredictable cost and surpasses its \$10 million net income threshold as set out in its Regulatory Accounting Report attached as Appendix H to the F2015/F2016 RRA;
- E. BC Hydro states that it will address in its next RRA the ongoing deferral of variances between RRA plan and actual post-employment benefits current pension costs, in addition to the amortization of the closing F2016 balance in the Non-Current Pension Costs Regulatory Account;
- F. The review of the Application included one round of Commission information requests which BC Hydro responded to on September 16, 2015; and

**BRITISH COLUMBIA
UTILITIES COMMISSION**

**ORDER
NUMBER** G-148-15

2

G. The Commission reviewed the Application and the information request responses and considers that approval is warranted.

NOW THEREFORE, the British Columbia Utilities Commission, pursuant to section 60 of the *Utilities Commission Act*, orders:

1. British Columbia Hydro and Power Authority's (BC Hydro) request to defer the F2016 operating cost variance of \$17.2 million relating to the post-employment benefits current pension costs arising from a change in the actual actuarial discount rate (\$17.2 million F2016 variance) in the Non-Current Pension Costs Regulatory Account for future recovery in rates is approved.
2. The disposition of the \$17.2 million F2016 variance is to be addressed in BC Hydro's next revenue requirements application.

DATED at the City of Vancouver, in the Province of British Columbia, this 18th day of September 2015.

BY ORDER

Original Signed By:

K. A. Keilty
Commissioner